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**Report No. 8615**

**PROJECT COMPLETION REPORT**

**KOREA**

**FOURTH SMALL AND MEDIUM INDUSTRY BANK PROJECT  
(LOAN 2004-KO)**

**MAY 4, 1990**

**Industry and Energy Operations Division  
Country Department II  
Asia Region**

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### CURRENCY EQUIVALENTS

Currency Unit	=	Won
US\$1	=	Won 827 (Completion)
US\$1	=	Won 710 (Appraisal)

### ACRONYMS

ADB	-	Asian Development Bank
DFC	-	Development Finance Company
ERR	-	Economic Rate of Return
FRR	-	Financial Rate of Return
PCR	-	Project Completion Report
SMI	-	Small and Medium Industry
SMIB	-	Small and Medium Industry Bank
SMIPC	-	Small and Medium Industry Promotion Corporation

### FISCAL YEAR

January 1 to December 31

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**THE WORLD BANK  
Washington, D.C. 20433  
U.S.A**

**Office of Director-General  
Operations Evaluation**

**May 4, 1990**

**MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT**

**SUBJECT: Project Completion Report on Korea  
Fourth Small and Medium Industry Bank Project  
(Loan 2004-KO)**

Attached, for information, is a copy of a report entitled "Project Completion Report on Korea - Fourth Small and Medium Industry Bank Project (Loan 2004-KO)" prepared by the Asia Regional Office. No audit of this project has been made by the Operations Evaluation Department at this time.

**Yves Rovani  
by Ram K. Chopra**

**Attachment**

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(LOAN 2004-KO)TABLE OF CONTENTS

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PROJECT COMPLETION REPORT

KOREA

FOURTH SMALL AND MEDIUM INDUSTRY BANK PROJECT  
(LOAN 2004-KO)

PREFACE

This is the Project Completion Report (PCR) for the Fourth SMIB project in Korea, for which Loan 2004-KO in the amount of US\$60.0 million was approved on May 26, 1981. The loan was closed on December 31, 1985. It was fully disbursed and the last disbursement was made on March 12, 1986.

The PCR was prepared by the Industry and Energy Operations Division, Country Department II, Asia Region (Preface, Evaluation Summary, Parts I and III). Although the Borrower was helpful in providing useful data, particularly for Part III of the report, the Borrower expressed great difficulty in completing the PCR. During a supervision mission on a follow-up project in March, 1989, the mission discussed Parts I and III of the report with the Borrower. The mission requested the Borrower to make comments on the report but no comments were received.

This PCR is based, inter alia, on the Staff Appraisal Report; the Loan, Guarantee and Project Agreements; supervision reports; correspondence between the Bank and the Borrower; internal Bank memoranda; SMIB annual reports and selected project data provided by the Borrower.

PROJECT COMPLETION REPORT

KOREA

FOURTH SMALL AND MEDIUM INDUSTRY BANK PROJECT  
(LOAN 2004-KO)

EVALUATION SUMMARY

1. The Bank loan of US\$60 million, aimed at supporting development of Korea's small and medium industry (SMI) sector, was approved on May 26, 1981. It followed three previous loans (Nos. 1175, 1507 and 1749-KO) to the Small and Medium Industry Bank (SMIB), one of the main financial institutions for the sector (para 2.02).
2. The objectives of the fourth SMIB project were to: (a) augment SMIB's capability to provide long-term investment capital for improving SMI production facilities and technologies; (b) upgrade skills through the preparation of a comprehensive action program aimed at reorganizing and improving the efficiency of industrial extension services in Korea; and (c) further improve SMIB's institutional capabilities by strengthening its efficiency in resource mobilization and allocation (para 3.01).
3. The project provided a line of credit to SMIB totaling US\$60 million. The Government of Korea agreed to finance and carry out a study aimed at the reorganization of SMI extension services. Similarly, SMIB agreed to implement a staff training program in appraisal procedures and a study of how it might enter the domestic bond market, as well as to adopt a development strategy statement committing it to mobilize funds from the international capital market (para 3.02).
4. The project's objectives were largely realized, despite initial delays caused by the political and macroeconomic problems in the early 1980s which dampened demand for credit. Project completion was therefore postponed by a year, but the loan was closed as scheduled on December 31, 1985. The Bank loan financed 259 subprojects with an average size of US\$ 230,000 and created some 4,100 permanent jobs at an average fixed investment cost per job of about US\$ 29,000. This compares with the appraisal estimate of 250 subprojects to be financed, creating 5,000 new jobs at an average cost per job of about US\$20,000. The Government also completed a comprehensive study of the industrial extension services provided to SMIs in Korea, which was developed into a set of action programs in December 1981. The study's findings and action programs were subsequently implemented under the Bank-assisted Small and Medium Machinery Industry Project (Loan 2215-KO) (para 6.01-6 03).
5. SMIB's institutional strengthening continued under the project, for the most part successfully. Resource mobilization by SMIB, which had declined somewhat in the late 1970s and represented a constraint on increased long-term lending, improved under the project. In 1982 and 1983,

SMIB for the first time successfully floated bonds totaling Won 120 billion (about US\$ 160 million equivalent), thus diversifying and increasing its local currency resources and establishing its presence in the domestic capital market. SMIB did not, however, feel the need for increased foreign currency resource mobilization and did not therefore enter the international capital market (para 6.04).

6. Under the previous Bank loans, SMIB's appraisal standards for foreign currency equipment loans improved significantly. In addition to commercial credit analysis of subborrowers, appraisals included financial and economic analyses of the specific subprojects. Under this project, SMIB and the Bank agreed to improve the appraisal practices of local currency equipment loans, which continue to rely almost exclusively on commercial credit analysis. However, this did not materialize since SMIB found comprehensive appraisals too costly and time consuming. Similarly, expectation that SMIB would undertake more sector and subsector studies, which would serve as substitutes, if necessary, for detailed economic appraisal of local currency loans, also did not materialize (para 6.07).

7. With hindsight, the Bank's goal in this respect appears to have been impractical. Typically, SMIB's subprojects financed by hard currency are too small and numerous to justify a comprehensive and formal appraisal. A majority of SMIB clients are repeat customers, and therefore SMIB has intimate knowledge of their business conditions. SMIB clients are relatively unsophisticated and, cannot in many cases, provide detailed and accurate information necessary for more rigorous and comprehensive analysis. The experience under this project suggests that the Bank needs to evaluate carefully the magnitude of likely gains and practical constraints when requesting comprehensive project appraisals to DFCs, particularly those which primarily cater to SMIs (para 6.08).

8. In general, SMIB's financial position remained strong, although it incurred operational losses in 1982 and 1983. This was due to the adjustment in the Government's interest rate policy introduced in June 1982, which lowered the rate ceilings for lendings and deposits to 10% p.a. and 8% p.a., respectively. While the lending rate reduction was effective immediately, the rates for existing deposits were unchanged until maturities, with many as high as 18% p.a. As the existing savings deposits matured, its profitability improved and SMIB became profitable in 1985 and thereafter. The quality of SMIB's loan portfolio remained sound, particularly considering the high risk associated with its clientele (para 6.05-6.06).

9. The sustainability of economic benefits of the project is assured as SMIB met the objectives of transferring resources to the SMIs and creating new jobs in the economy. The project also brought about improved competitiveness and betterment of skills to the SMIs as well as improved institutional capability to SMIB (para 7.01).

10. On the whole, this project was well prepared and implemented. Together with previous three loans to SMIB, this project made a significant contribution to the development SMIB and the SMI sector (para 9.04).



# PROJECT COMPLETION REPORT

## KOREA

### FOURTH SMALL AND MEDIUM INDUSTRY BANK PROJECT (LOAN 2004-KO)

#### PART I: PROJECT REVIEW FROM THE BANK'S PERSPECTIVE

##### 1. Project Identity

Name : Fourth Small and Medium Industry Bank Project  
Loan Number : Loan 2004-KO  
RVP Unit : Asia Region  
Country : Korea  
Sector : Industry  
Subsector : Small and Medium Industry

##### 2. Background

2.01. During the seventies, Korea's comparative advantage in the production of labor-intensive light manufactured goods, on which the small and medium industry (SMI) sector was heavily dependent, had eroded rapidly due to rising labor costs in Korea and the emergence of efficient competitors in world markets. The Government's industrial strategy initially reacted to this by promoting skill and technology development in large industry, with a reallocation of financial and human resources away from the SMI sector that made it difficult for the sector to increase productivity and improve the quality of its output through capital investment. In time, however, a more balanced industrial development strategy was pursued, in recognition of the contributions of SMI to employment creation, regional dispersal of industry and growth of manufactured exports as well as the fact that investment in heavy industry had in some instances exceeded the levels dictated by market size, financing capacity and technical capability. Efforts to improve SMI competitiveness were supported by the Bank, among other things, through a series of loans to individual DFCs, including four loans (Nos. 1175, 1507, 1749 and 2004-KO) which channeled funds to the sector through the Small and Medium Industry Bank (SMIB), with measures introduced to gradually strengthen SMIB capabilities.

2.02 The fourth loan, approved on May 26, 1981, particularly focused on raising SMI productivity through investment in modernized facilities and improved technology and, more importantly, investment in upgrading human skills. In support of the latter goal, the project laid the basis for a much-needed reorganization of SMI extension services which, at the time, were provided by numerous institutions whose effectiveness was limited by, among other things, inadequate numbers of qualified extension staff. Their services would have to be made more responsive to the needs of SMIs. In addition, clearly articulated operational policies and institutional objectives were needed to provide the extension services with appropriate direction and priorities. Although the Small and Medium Industry Promotion Corporation (SMIPC) had been established in 1979 as a leading institution for extension services to concentrate assistance on priority subsectors,

train extension agents and coordinate technical assistance services, it lacked the expertise and staff capability to fulfill its mandate.

### 3. Project Objectives and Description

3.01 The fourth Bank loan to SMIB was therefore formulated not only to support the financing needs of the SMI sector, but also to encourage improved industrial extension services to the sector. Its principal objectives were to: (a) augment SMIB's capability to provide long-term investment capital for improving SMI production facilities and technologies; (b) upgrade human skills through the preparation of a comprehensive action program aimed at reorganizing and improving the efficiency of industrial extension services in Korea; and (c) further improve SMIB's institutional capabilities by strengthening its efficiency in resource mobilization and allocation.

3.02 The project provided a line of credit to SMIB totaling US\$60 million which was expected to cover about 40% of its projected foreign currency commitment needs during mid-1981 to mid-1983. The Government of Korea also agreed to undertake a comprehensive SMI Extension Services Study at its own expense, with the objective of producing a program to reorganize extension services to SMI based on a clear formulation of objectives and a detailed review of the existing organizations. SMIB agreed to implement a staff training program in appraisal procedures and, for the purpose of expanding resource mobilization, to carry out a study of how it might enter the bond market and to include in its Development Strategy Statement a commitment to mobilize funds from the international capital market.

### 4. Project Institution

4.01 SMIB was established in 1961 to extend financial and limited technical assistance to SMI. It carries out a wide range of commercial banking functions, including the mobilization of deposits, issuance of letters of credit and short-term lending for working capital. As a development bank, it provides long-term investment financing to SMIs. Prior to this project, SMIB received three Bank loans which assisted in its institutional development, particularly in the areas of (a) resource mobilization through its rapidly expanding branch network; (b) development of appraisal and supervision capabilities for term loans; and (c) promotion of labor-intensive industries. SMIB's performance under these operations was satisfactory.

### 5. Project Design

5.01 The project design was appropriate. Against the background of rising Korean labor costs and the call for increased productivity and enhanced skills and technology, this operation specifically emphasized developing SMIB's capacity to support investment projects which would lead to higher labor productivity, and enhanced production efficiency and product quality. In the previous Bank-assisted SMIB operations, the eligibility of sub-borrowers for project loans had been defined in terms of maximum asset size of applicants. Under this loan, however, the main sub-borrower eligibility criterion was based on maximum size of employment, in

order to reflect the productivity emphasis as opposed to the employment emphasis in the past, and to allow more flexibility in financing relatively capital-intensive projects. For the same reason, the subloan ceiling was also increased to US\$2 million. The various actions agreed upon in conjunction with the project also addressed needed institutional development and reforms (para 4).

## 6. Project Performance

6.01 The Credit Component. Demand for credit during the first year of the project (Bank FY82) was poor, primarily due to the slowdown in the country's economic growth following the negative growth rate of 4.8% in 1980, unprecedented in Korea's recent history. As a result, only US\$2.4 million of the loan was actually disbursed that year as opposed to the appraisal estimate of US\$10.5 million (Table 3 of Part III). The disbursement projections prepared at appraisal underestimated the gravity of the slowdown. SMIB operations recovered by mid-1983, and consequently loan disbursements picked up. By 1985, the loan was fully disbursed and, despite a one-year delay in subproject commitments, the loan closed as scheduled on December 31, 1985 (Table 4 of Part III).

6.02 The original objectives of the credit component were achieved. The loan financed 259 subprojects, which created about 4,100 jobs at an average fixed investment cost per job of US\$29,000. This compares with the appraisal estimate of 250 subprojects and 5,000 new jobs to be created at an average cost per job of US\$20,000. The average cost of job was increased by two thirds from the Third SMIB Loan, indicating the capital intensity and the emphasis on productivity improvement of the subloans under this project. On the basis of a sample survey of 20 subprojects, for which FRRs and ERRs were calculated by SMIB, ex post financial rates of return (FRRs) ranged from 14% to 37% while ex post economic rates of return (ERRs) ranged from 18% to 57%. Sectoral and regional distributions of subprojects were satisfactory.

6.03 Extension Services. The Government completed a comprehensive study of the industrial extension services provided to SMIs in Korea, on which it developed a set of action programs in December 1981. The study's findings and action programs in turn formed the basis for the rationalization of SMI extension service institutions, which was a matter of primary importance and urgency for the development of the SMI sector. The rationalization program was successfully implemented under the Small and Medium Machinery Industry Project (Loan 2215-KO), with SMIPC as the leading organization which provides customer-oriented extension services.

6.04 Institutional Development. In compliance with a Loan Agreement covenant that SMIB would take all necessary measures to diversify and increase its local currency resources, SMIB raised a total of Won 120 billion, or about US\$ 160 million equivalent, in 1982 and 1983 through the issuance of both long- and short-term debentures. By taking such action, SMIB took the first steps to establish its presence in the market. However, with a Government-imposed lending rate ceiling of 10%, SMIB's interest rates on its long-term debentures, averaging 19%, resulted in large negative spreads. As a result SMIB did not remain in the debenture

market. (In December 1988, the Government liberalized the interest rates.) The understanding reached under the project that SMIB would diversify and increase its foreign currency resources became irrelevant in view of lower than expected demand. Nevertheless, SMIB maintained regular contact with potential overseas lenders in order to complement its resources if the need arose.

6.05 SMIB's financial position remained generally strong throughout the term of the project, although in 1982 and 1983 it incurred operational losses totalling Won 24 billion. This was due to adjustments in the Government's interest rate policy introduced in June 1982, which lowered the rates ceilings for lendings and deposits to 10% p.a. and 8% p.a., respectively. While the lending rates reduction was effective immediately, the rates for existing deposits were unchanged until maturities, with many as high as 18% p.a. Despite these losses, SMIB maintained a satisfactory long-term debt to equity ratio which remained below the covenanted ratio of 10:1. As the existing savings deposits matured, SMIB's profitability improved, and SMIB became profitable in 1985 and thereafter.

6.06 Considering the high-risk nature of SMI customers, the quality of the SMIB loan portfolio was excellent, recording overall collection rates of 90-95% throughout the project period. SMIB's excellent arrears position and collection performance resulted from its well developed supervision and collection procedures. They are also attributable to the peculiarities of the Korean financial system in which a number of well-run institutions assist banks in minimizing loan losses. This system comprises of the Credit Guarantee Fund, the Loan Readjustment Corporation which processes loan foreclosures on behalf of financial institutions, and a credit information system operated by the Bank of Korea. Moreover, the main factor behind the soundness of Korean financial institutions has been the good performance of Korean industry.

6.07 One of the major institutional development goals of improving SMIB's appraisal practices was not achieved. Traditionally, Korean DFCs relied heavily on commercial credit analysis of sub-borrowers in loan decision making, encouraging speedy financing decisions in favor of established and solvent firms. Typically, no comprehensive appraisals of project viabilities were conducted. Against this background, the Bank emphasized the importance of comprehensive financial and economic appraisals of the projects to be financed in addition to the commercial credit analysis. Under the previous Bank loans, SMIB's appraisal standards for foreign currency equipment loans improved significantly and were considered satisfactory. Under this project, SMIB attempted to improve the appraisal practices of local currency equipment loans, which continued to rely almost exclusively on commercial credit analysis. However, this did not materialize since SMIB found comprehensive appraisals too costly and time consuming. In addition, given the high quality of its loan portfolio, SMIB saw no compelling reason to change appraisal practices, which are still unchanged to date. Similarly, expectations that SMIB would undertake more sector and subsector studies, which would supplement project appraisals, also did not materialize.

6.08 With hindsight, the Bank's goal in this respect appear impractical. Typically, SMIB subprojects are too small and numerous to justify comprehensive and formal appraisals which includes financial and economic analyses. A majority of SMIB clients are repeat customers, and therefore, SMIB has intimate knowledge on their business conditions. SMIB clients are relatively unsophisticated and unable, in many cases, to provide detailed and accurate information necessary for more rigorous and comprehensive analysis. The experience under this project suggest that the Bank need to assess carefully likely gains and practical constraints when requesting comprehensive subproject appraisals to DFCs, particularly those which primarily cater to SMIs.

6.09 The same factors seem to have been partly responsible for SMIB's lack of interest in expanding its research activities. Although SMIB's Development Strategy Statements for the project period, which were formulated in consultation with the Bank, committed SMIB to integrating its research activities closely with operations, preparation of market and sector studies remained limited and undertaken only on an ad hoc basis. In view of SMIB's short-cut appraisal procedures for domestic currency loans, the Bank considered the lack of such studies as detrimental to SMIB's operations. With the growth of industrial research and extension institutions in Korea, however, SMIB's Research Department was gradually curtailed. This decision reflected SMIB's efforts to reduce administrative expenses in response to the difficult financial situation in 1982-84 and to continue rapid expansion of its branch network and the resulting needs for experienced staff.

6.10 SMIB's supervision performance remained highly satisfactory. Supervision of project subloans was largely delegated to the branch offices, except for foreign currency loans which were supervised jointly by the head office and branches. SMIB developed an excellent loan reporting system, in consultation with the Bank, which allows a comparison of actual project performance with performance projections prepared during loan appraisal. SMIB's supervision methods were very effective, which no doubt contributed to the high quality of its loan portfolio and low level of arrears.

## 7. Project Sustainability

7.01 The sustainability of economic benefits of the project is assured as SMIB met the objectives of resource transfer to the SMIs by disbursing loan proceeds to some 259 subprojects. It was also successful in job creation by providing some 5,000 new jobs to the economy. The project brought about improved competitiveness and betterment of skills to the SMIs through increased capital investments and improved institutional capability to SMIB by strengthening its efficiency in resource mobilization and allocation.

## 8. Bank and Borrower Performance

8.01 The performance of the Bank was satisfactory, and the frequency and composition of Bank supervision missions were adequate (Table 8 of Part III). The performance of SMIB was also satisfactory throughout the project

period. SMIB implemented most of the action programs for institutional development agreed under the project, and met all important covenants.

## 9. Conclusions

9.01 During the 1980s, the Korean SMI sector has accomplished a major transformation. In the 1970s, the SMI sector was largely regarded as a source of employment at relatively low cost, and an important, but a declining source of manufactured exports. Its relative importance in the Korean economy was decreasing. Despite the Government's support to revitalize the sector, SMIs were experiencing difficulties to upgrade technological capabilities and skill levels. Industrial extension service organizations were fragmented, over which public resources were thinly spread with only limited results.

9.02 Today, the SMI sector is one of the most dynamic and promising sectors in the economy. SMIs play a vital role in the product and process innovations, job creation and industrial specialization and diversification. SMIs are a major source of direct and indirect exports. The industrial extension services are much better organized and more customer-oriented and effective compared with a decade ago. The policy environment for promoting SMI development was much improved, having culminated in the two important laws enacted in 1987, the Small and Medium Industry Inauguration Assistance Act and the Venture Business Financial Support Act. Together, they promote new sources and innovative use of financing for technology intensive SMIs.

9.03 Since the first Bank loan approved in 1975, SMIB (then called Medium Industry Bank) has grown rapidly. Today, SMIB (or Industrial Bank of Korea, since it was renamed in 1987) has a total assets of about US\$ 7 billion, an extensive branch network of about 194 domestic branches and three overseas offices, and over 8,400 staff members. It is an efficiently managed organization with a strong financial positions. As the Korean financial sector is being liberalized, it is in a good position to increase its importance in the sector. Due to the rapid improvement in the country's balance of payment position and increasing trade surplus in recent years, its loan portfolio to Korean SMIs involving foreign currencies is significantly smaller in recent years, which necessitated the merger of the Foreign Loan Department, originally created to handle the Bank and ADB loans, into the International Department. In the future, however, its international operations would likely expand as the country becomes a net capital exporter and foreign investments by Korean SMIs increase.

9.04 Loan 2004-KO was one of the last of a series of Bank operations primarily geared to an individual DFC. The subsequent DFC operations had a sector-wide focus, where key developmental constraints for the sector was addressed, and more than one DFCs were involved in an operation. On the whole, the Fourth SMIB loan was a well prepared and implemented operation. Together with previous three loans to SMIB, this project made significant contributions to the development of SMIB and the Korean SMI sector.

9.05      The main lesson of the project stems from the difficulty the Bank experienced in convincing SMIB to introduce more comprehensive and development bank oriented subproject appraisal procedures, to both foreign and local currency equipment loans, in order to supplement the traditional subborrower credit risk analysis. Given the large number and small size of SMIB subloans, the original expectations of the Bank appear impractical. The Bank may need to reassess this position in future operations, particularly when dealing with DFCs which primarily cater to SMIs.

PART III

STATISTICAL INFORMATION

1. RELATED BANK LOANS

Loan No.	Title	Purpose	Year of Approval	Status	Comments
Ln 1175	SMIB I	Finance SMI subprojects.	1975	Closed	
Ln 1507	SMIB II	Finance SMI subprojects.	1978	Closed	
Ln 1749	SMIB III	Finance SMI subprojects.	1979	Closed	
Ln 2215	SMMI	Finance SMI subprojects.	1982	Closed	Apex type loan to CNB, SMIB, KLB and SMIPC.
Ln 1829	CNB I	Finance SMI subprojects.	1980	Closed	
Ln 2144	CNB II	Finance SMI subprojects.	1980	Closed	
Ln 2515	SMI	Finance SMI subprojects.	1985	Active	Apex type loan to CNB, SMIB and SMIPC.
Ln 2071	SAL		1981	Closed	
Ln 2309	Ind. Finance	Support Govt. financial reforms, finance sub-projects in manufacturi and training.		Completed	Loan to KDB, KLB and MoF.



## 2. PROJECT TIMETABLE

Item	Date Planned	Date Revised	Date Actual
Identification (EPS)	October 21, 1980		October 21, 1980
Preparation	November, 1980		November, 1980
Appraisal Mission	October, 1980	November 3, 1980	November 10, 1980
Loan Negotiations	April 15, 1981		April 15, 1981
Board Approval	May 26, 1981		May 26, 1981
Loan Signature	July 6, 1981		July 6, 1981
Loan Effectiveness	September 1, 1981		September 1, 1981
Loan Closing	December 31, 1985		December 31, 1985
Loan Completion	December 31, 1983	June 30, 1984	December 31, 1984

**3. CUMULATIVE AND ACTUAL DISBURSEMENTS**  
**(US\$ Millions)**

	1982	1983	1984	1985	1986
Appraisal Estimate	10.5	37.0	56.0	60.0	60.0
Actual	2.4	21.2	47.2	58.2	60.0
Actual as a % of Estimate	22.9	57.0	84.3	97.0	100.0

**Date of Final Disbursement - March 12, 1986**

#### 4. Project Implementation

##### A. Analysis of Subprojects Financed Under Loan 2004-KO

	No.	Amount of (W Million)	% by Total Number	% by Total Amount
<b>1) <u>Geographical Distribution</u></b>				
Seoul City	65	9,546	27.3	20.3
Kyung-gi Province	86	17,199	36.1	36.6
South Choongchung	9	1,175	3.8	2.5
ProvinceNorth Choongchung	6	2,123	2.5	4.5
ProvinceKang Won Province	3	401	1.3	0.9
South Jeonra Province	11	945	4.6	2.0
North Jeonra Province	7	921	2.9	1.9
South Kyungsang Province	8	1,725	3.4	3.7
North Kyungsang Province	31	11,053	13.0	23.5
Busan City	12	1,917	5.1	4.1
Cheju Province	-	-	-	-
<b><u>Total</u></b>	<b><u>238</u></b>	<b><u>47,005</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>
<b>2) <u>Investment Cost Distribution</u></b>				
Less than 100 million won	56	2,527	23.5	5.4
100 million won to 250 million won	83	9,210	34.9	19.6
250 million won to 500 million won	50	10,773	21.0	22.9
More than 500 million won	49	24,495	20.6	52.1
<b><u>Total</u></b>	<b><u>238</u></b>	<b><u>47,005</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>
<b>3) <u>Size of Loan Distribution</u></b>				
Less than 70 million won	69	2,965	29.0	6.3
70 million won to 150 Million won	71	7,581	29.8	16.1
150 million won to 300 million won	62	13,795	26.1	29.4
More than 500 million won	49	22,664	15.1	48.2
<b><u>Total</u></b>	<b><u>238</u></b>	<b><u>47,005</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>

	No.	Amount of (W Million)	% by Total Number	% by Total Amount
<b>4) <u>Estimated Implementation Period of Projects</u></b>				
Less than a year	57	7,991	23.9	6.3
1 to 2 years	81	15,042	34.0	32.0
2 to 3 years	67	14,102	28.2	30.0
3 to more years	33	9,870	13.9	21.0
<u>Total</u>	<u>238</u>	<u>47,005</u>	<u>100.0</u>	<u>100.0</u>
<b>5) <u>Distribution of Maturities (including grace)</u></b>				
Less than 2 years	-	-	-	-
2 to 4 years	21	2,805	8.8	6.0
4 to 7 years	77	14,266	32.4	30.3
7 to 10 years	109	21,349	45.8	45.4
10 to 15 years	31	8,585	13.0	18.3
Over 15 years	-	-	-	-
<u>Total</u>	<u>238</u>	<u>47,005</u>	<u>100.0</u>	<u>100.0</u>
<b>6) <u>Distribution of Cost Per Job</u></b>				
Less than US\$ 500	-	-	-	-
US\$ 500 to US\$ 5,000	7	406	2.9	0.9
US\$ 5,000 to US\$ 20,000	60	5,480	25.2	11.7
US\$ 20,000 to US\$ 50,000	85	17,804	35.7	37.9
More than US\$ 50,000	86	23,315	36.2	49.5
<u>Total</u>	<u>238</u>	<u>47,005</u>	<u>100.0</u>	<u>100.0</u>
<b>7) <u>Optional Items</u></b>				
a) Type of Subproject				
- New	25	4,756	10.5	10.1
- Expansion	193	38,646	81.1	82.2
- Rehabilitation	20	3,603	8.4	7.7
- Working Capital	-	-	-	-
<u>Total</u>	<u>238</u>	<u>47,005</u>	<u>100.0</u>	<u>100.0</u>
b) Type of Ownership	238	47,005	100.0	100.0
- Private	-	-	-	-
- Government	-	-	-	-
- Mixed	-	-	-	-
<u>Total</u>	<u>238</u>	<u>47,005</u>	<u>100.0</u>	<u>100.0</u>
c) Owner Origin				
- Majority Foreign	-	-	-	-
- Majority Local	238	47,005	100.0	100.0

	No.	Amount of (W Million)	% by Total Number	% by Total Amount
<u>Total</u>	<u>238</u>	<u>47,005</u>	<u>100.0</u>	<u>100.0</u>
d) Project Location				
- Rural	155	31,298	65.1	66.6
- Urban	83	15,707	34.9	33.4
<u>Total</u>	<u>238</u>	<u>47,005</u>	<u>100.0</u>	<u>100.0</u>

B. CHARACTERISTICS OF SUBPROJECTS FINANCED UNDER LOAN 2004-KO

Sub-Project Number	Borrower	Nature of Subproject	Project Cost			SMIB Financing			Project Completion			Method of Procurement
			Est.	Actual	Overrun (%)	Local Funds	Foreign Funds	% of Actual Project Cost	Est. (Months)	Actual (Months)	Difference (Months)	
A-001	Veterans Self-Support	Expansion	798	888	9.0	200	482	78.6	4	6	2	Intl. Bidding
A-003	Sun Jin Shipping	Expansion	560	524	-6.4	100	278	72.1	7	11	4	Prop. Contract
A-004	Yu Chang Dyeing	Expansion	2428	2309	-4.9	0	1143	49.5	6	9	3	Intl. Bidding
A-005	Hae Jung Company	Expansion	1058	832	-21.4	230	487	88.2	7	10	3	Intl. Bidding
A-006	Yu Hwa Textile	Expansion	1698	1277	-24.8	0	1007	78.9	8	12	4	Intl. Bidding
A-007	Maell Industrial Co.	Expansion	1863	1196	-12.3	0	604	50.5	8	12	4	Intl. Bidding
A-008	Mi Joo Man Company	New	2929	2156	-26.4	610	1061	77.5	9	12	3	Intl. Bidding
A-009	Dai Yang Metal	Expansion	3152	3251	3.1	0	1340	41.2	7	7	0	Intl. Bidding
A-010	In-Wha Electro-plating	Expansion	3533	3321	-6.0	0	1203	36.2	8	9	1	Intl. Bidding
A-011	Sung Won Deing	Expansion	827	897	8.5	0	388	40.8	8	9	1	Intl. Bidding
A-013	Song Am Industrial	Expansion	1344	1241	-7.7	0	526	42.4	7	6	-1	Intl. Bidding
A-014	Han Do Trading	Expansion	1960	2011	2.6	0	651	32.4	4	5	1	Intl. Bidding
A-015	Seung Il Can Mfg.	Expansion	1469	1312	-10.7	0	439	33.5	6	4	-1	Intl. Bidding
A-016	Soo Bok Textile	Expansion	2703	2918	8.0	300	1467	60.6	8	7	-1	Intl. Bidding
A-017	Young Chang Textile	Expansion	2360	2419	2.5	0	1043	43.1	8	7	-1	Intl. Bidding
A-018	Han Il Printing	Expansion	1272	1299	2.1	0	770	59.8	7	6	-1	Intl. Bidding
A-019	Nam Yang Textile	Expansion	3181	3309	3.9	0	1500	46.3	7	7	0	Intl. Bidding
A-020	Sam Won Corporation	Replacement	3456	3721	7.7	0	1198	32.2	7	8	1	Intl. Bidding
A-022	Sung Duck Textile	Expansion	1085	997	-8.1	0	726	72.8	8	10	2	Intl. Bidding
A-023	Manil Electric Wire	Expansion	2411	2612	8.3	0	227	8.7	9	14	5	Intl. Bidding
B-001	Gaya Limited	Expansion	108	85	-21.3	0	66	77.6	5	4	-1	Intl. Bidding
B-003	Nam Kwang Heavy Ind.	Expansion	88	87	-1.1	0	63	72.4	6	6	0	Intl. Bidding
B-006	Myung Seong Eng.	Expansion	46	43	-6.5	0	24	55.8	6	6	0	Intl. Bidding
B-008	Suh Ryung Industries	Expansion	1545	1117	-27.7	480	337	73.1	4	7	3	Intl. Bidding
B-011	Han Seo Company	Expansion	248	200	-19.4	0	146	73.0	5	6	1	Intl. Bidding
B-013	Chun Ma Textile	Expansion	203	183	-9.9	31	111	77.6	5	6	1	Intl. Bidding
B-017	Chung Buk Machinery	Expansion	100	99	-1.0	0	71	71.7	4	7	3	Intl. Bidding
B-019	Woo Yang Construction	Expansion	211	180	-14.7	0	136	75.6	5	6	1	Intl. Bidding
B-023	Nam Yang Construction	Expansion	154	147	-4.5	29	115	98.0	5	7	2	Intl. Bidding
B-025	Sam Kwang Textile	Expansion	82	71	-13.4	0	61	85.9	6	7	1	Intl. Bidding
B-028	Man Seung Trading	Expansion	176	170	-3.4	0	131	77.1	6	10	4	Intl. Bidding
B-030	Sungbo Development	Expansion	353	381	7.9	0	273	71.7	5	6	1	Intl. Bidding
B-033	Maell Industrial	Expansion	47	44	-6.4	0	31	70.5	4	7	3	Intl. Bidding
B-036	Korea Zipper	Expansion	2149	1994	-7.2	0	321	16.1	6	3	-3	Intl. Bidding
B-039	Daee Ryuk Shipping	Expansion	570	530	-1.8	0	345	59.5	7	7	0	Prop. Contract
B-041	Daee Young Textile	Expansion	431	415	-3.7	0	292	70.4	7	7	0	Intl. Bidding
B-044	Sam Hwa Polymer	Expansion	238	220	-7.6	0	103	46.8	5	10	5	Intl. Bidding
B-046	Daee Young Packaging	Replacement	76	76	0.0	0	62	81.6	5	7	2	Intl. Bidding
B-049	Korea Sewing Machine	New	217	237	9.2	85	114	84.0	6	11	5	Intl. Bidding
B-055	Dong Kwang	Expansion	36	35	-2.8	0	29	82.9	5	7	2	Intl. Bidding
B-058	Sung Hwa Industrial	Expansion	151	150	-0.7	0	117	78.0	4	7	3	Intl. Bidding
B-061	Sam Shin Industrial	Expansion	186	201	8.1	30	109	69.2	5	10	5	Intl. Bidding
B-063	Je Il Pharmaceutical	Expansion	282	293	3.9	0	248	84.6	6	9	3	Intl. Bidding
B-066	Dai Ryung Industrial	Expansion	220	220	0.0	0	130	59.1	6	5	-1	Prop. Contract
B-068	Dai Ki Company	Expansion	1415	1601	13.1	400	420	51.2	6	8	2	Intl. Bidding
B-072	Honam Geology Company	Expansion	64	68	6.3	12	50	91.2	6	7	1	Intl. Bidding
B-075	Yung Kwang Textile	Expansion	249	253	1.6	0	177	70.0	4	8	4	Intl. Bidding
B-079	Samsoe Youngpoong Co.	Expansion	197	190	-3.6	0	85	44.7	6	10	4	Intl. Bidding

B. CHARACTERISTICS OF SUBPROJECTS FINANCED UNDER LOAN 2004-K0  
(continued)

Sub- Project Number	Borrower	Nature of Subproject	Project Cost			SMIB Financing			Project Completion			Method of Procurement
			Est.	Actual	Overrun (%)	Local Funds	Foreign Funds	% of Actual Project Cost	Est. (Months)	Actual (Months)	Difference (Months)	
B-085	Dae Suh Weaving	Expansion	198	180	-3.1	0	148	77.9	6	3	-3	Intl. Bidding
B-087	Paradise Company	Expansion	20	24	20.0	0	17	70.8	5	3	-2	Intl. Bidding
B-090	Shin Il Printing	Expansion	50	51	2.0	0	38	74.5	9	9	0	Intl. Bidding
B-092	Boo Won Industrial	Expansion	288	283	-1.7	0	237	83.7	7	12	5	Intl. Bidding
B-095	Sam Kwang Machinery	Expansion	326	329	0.9	0	276	83.9	6	10	4	Intl. Bidding
B-097	Dong Sin Glass Tube	Expansion	109	102	-6.4	0	81	79.4	6	9	3	Intl. Bidding
B-101	Cho Bang Printing	New	815	805	-1.2	390	237	77.9	8	8	0	Intl. Bidding
B-103	Dae Jin Industrial	Expansion	295	292	-1.0	50	198	84.2	5	5	0	Intl. Bidding
B-106	Se-Il Company	Expansion	219	196	-10.5	42	56	50.0	4	5	1	Intl. Bidding
B-108	Yoo Nam Industrial	New	1133	1121	-1.1	400	169	50.8	4	6	2	Intl. Bidding
B-111	New Bon Company	Expansion	120	132	10.0	0	87	65.9	4	3	-1	Intl. Bidding
B-113	Seo Hung Construction	Expansion	77	70	-9.1	0	31	44.3	7	9	2	Intl. Bidding
B-116	Song A Machine Tools	Expansion	197	180	-8.6	0	132	73.3	4	6	2	Intl. Bidding
B-119	See Hwa Textile	Expansion	376	375	-0.3	0	27	7.2	5	5	0	Intl. Bidding
B-122	Han-Mi Mold & Tool	Expansion	319	328	2.8	40	172	64.6	4	4	0	Intl. Bidding
B-124	Han Kuk Won Ho	Expansion	283	262	-10.6	0	212	80.9	3	3	0	Intl. Bidding
B-127	Sam Yang Form	Expansion	176	155	-11.9	0	113	72.9	9	11	2	Intl. Bidding
B-129	Poong Kook Enterprise	Expansion	292	291	-0.3	0	227	78.0	4	7	3	Intl. Bidding
B-132	Woo In Silk	Expansion	891	935	4.9	350	238	62.9	4	6	2	Intl. Bidding
B-134	Samsung Printing	Expansion	214	211	-1.4	0	144	68.2	4	5	1	Intl. Bidding
B-137	Sokang Cold Storage	Expansion	79	63	-20.3	0	56	88.9	4	4	0	Intl. Bidding
B-139	Sin Dong Je Il	New	64	57	-10.9	0	46	80.7	3	4	1	Intl. Bidding
B-143	Yeon-Hap Glass	New	239	235	-1.7	0	187	79.6	10	7	-3	Intl. Bidding
B-145	Korea Electronics	Expansion	216	220	1.9	0	178	80.9	4	3	-1	Intl. Bidding
B-149	New Korea Electronics	Expansion	146	123	-15.8	0	116	84.3	5	5	0	Intl. Bidding
B-155	Jung Hwa Printing	Expansion	352	351	-0.3	0	58	16.5	5	5	0	Intl. Bidding
B-160	Duk Chun Industrial	Expansion	131	144	9.9	0	107	74.3	4	5	1	Intl. Bidding
B-164	Dae Sung Engineering	New	158	148	-6.3	0	46	31.1	5	4	-1	Intl. Bidding
B-170	Dong Shin Enterprise	Expansion	95	95	0.0	0	58	61.1	5	5	0	Intl. Bidding
B-174	Nam Chang Textile	Expansion	40	37	-7.5	0	20	54.1	5	3	-2	Prop. Contract
B-179	Dong Sin Chemical	Expansion	409	481	17.6	0	230	47.8	7	7	0	Intl. Bidding
B-183	Kuk Il Press	Expansion	691	691	0.0	0	271	39.2	4	5	1	Intl. Bidding
B-187	Se-Ah Precision Ind.	Expansion	91	85	-6.6	0	66	77.8	6	4	-2	Intl. Bidding
B-191	Sam Yang Construction	Expansion	54	76	40.7	0	31	40.4	7	6	-1	Intl. Bidding
B-196	First Corporation	Expansion	210	239	13.8	0	170	71.1	6	3	-3	Intl. Bidding
B-200	Han Kuk Trading	New	68	93	36.8	0	48	51.6	3	6	3	Intl. Bidding
B-204	Sam Won Industrial	Expansion	197	201	2.0	0	130	64.7	6	6	0	Intl. Bidding
B-206	Sam Rak Industrial	New	498	512	2.8	0	179	35.0	3	4	1	Intl. Bidding
B-212	See Kwang Industrial	Expansion	133	117	-12.0	0	71	60.7	7	9	2	Intl. Bidding
B-216	Tae Il Woolen Textile	Expansion	63	53	-15.9	0	37	69.8	4	5	1	Intl. Bidding
B-224	Chung Woo Enterprise	Replacement	181	142	-21.5	0	94	66.2	4	7	3	Intl. Bidding
B-236	Anyang Paper Cone	Expansion	622	645	3.7	0	458	71.0	5	9	4	Intl. Bidding

C. ECONOMIC INDICATORS OF SUBPROJECTS FINANCED UNDER LOAN 2004-KO

Subproject Number	Borrower	Incremental Employment		Investment per Worker (W million)	Financial ROR		Economic ROR	
		Estimated	Actual		Estimated	Actual	Estimated	Actual
A-001	Veterans Self-Support Socks	40	42	20.7	20.7	21.6	35.9	37.2
A-003	Sun Jin Shipping	5	5	104.8	36.6	32.7	52.4	48.6
A-004	Yu Chang Dyeing & Weaving	62	70	33.0	24.3	20.6	40.4	35.1
A-005	Hae Jung Company	37	41	20.3	31.9	36.9	52.5	57.2
A-006	Yu Hwa Textile	40	28	45.6	31.4	27.5	49.2	40.6
A-007	Maeil Industrial Company	43	40	29.9	30.3	28.7	56.0	50.9
A-008	Mi Joo Man Company	54	56	38.5	24.8	24.7	42.3	41.2
A-009	Dai Yang Metal	61	60	54.2	25.1	20.2	44.6	38.6
A-010	Ih-Wha Eletro-plating	99	103	32.2	32.3	32.0	57.1	55.0
A-011	Sung Won Deing & Finishing	16	15	59.8	18.2	19.7	30.5	33.2
A-013	Song Am Industrial	73	72	17.2	17.7	16.3	27.3	25.4
A-014	Han Do Trading	280	210	9.6	19.2	20.7	32.4	34.1
A-015	Seung Il Can Manufacturing	90	91	14.4	28.9	21.4	58.5	49.6
A-016	Soo Bok Textile	30	32	91.2	29.3	30.1	47.9	50.4
A-017	Young Chang Textile	42	48	50.4	29.3	30.1	47.9	50.4
A-018	Han Il Printing	58	49	26.5	15.3	14.3	20.2	18.0
A-019	Nam Yang Textile	20	28	118.2	28.7	21.1	39.1	31.9
A-020	Sam Won Corporation	-	-	-	19.3	20.9	29.3	33.0
A-022	Sung Duck Textile	42	51	19.5	23.2	20.4	46.0	41.9
A-023	Hanil Electric Wire	50	59	44.3	24.7	24.7	41.5	41.6
B-001	Gaya Limited	30	29	2.9				
B-003	Nam Kwang Heavy Industry	5	5	17.4				
B-006	Myung Seong Engineering	6	10	4.3				
B-008	Suh Ryung Industries	66	54	20.7				
B-011	Han Seo Company	8	10	20.0				
B-013	Chun Ma Textile	2	-	-				
B-017	Chung Buk Heavy Machinery	6	4	24.8				
B-019	Woo Yang Construction	3	3	60.0				
B-023	Nam Yang Construction	4	6	24.5				
B-025	Sam Kwang Textile	3	5	14.2				
B-028	Man Seung Trading	3	3	56.7				
B-030	Sungbo Development	2	2	190.5				
B-033	Maeil Industrial	5	5	8.8				



C. ECONOMIC INDICATORS OF SUBPROJECTS FINANCED UNDER LOAN 2004-KO  
(continued)

Subproject Number	Borrower	Incremental Employment		Investment per Worker (W million)	Financial ROR		Economic ROR	
		Estimated	Actual		Estimated	Actual	Estimated	Actual
B-036	Korea Zipper	15	14	142.4				
B-039	Dae Ryuk Shipping	8	8	72.5				
B-041	Dae Young Woolen Textile	14	14	29.6				
B-044	Sam Hwa Polymer	6	7	31.4				
B-046	Dae Young Packaging	-	-	-				
B-049	Korea Sewing Machine Ind.	6	6	39.5				
B-055	Dong Kwang Electric Cons.	6	7	5.0				
B-058	Sung Hwa Industrial	15	15	10.0				
B-061	Sam Shin Industrial	7	7	28.7				
B-063	Je Il Pharmaceutical	6	6	48.8				
B-066	Dai Ryung Industrial	13	14	15.7				
B-068	Dai Ki Company	40	41	39.0				
B-072	Honam Geology Company	6	8	8.5				
B-075	Yung Kwang Textile	12	12	21.1				
B-079	Samae Youngpoong Company	2	2	95.0				
B-082	Baek Yang Heung Up	19	20	14.7				
B-085	Dae Suh Weaving	10	11	17.3				
B-087	Paradise Company	3	3	8.0				
B-090	Shin Il Printing	-30	-24	-2.1				
B-092	Boo Won Industrial	8	10	28.3				
B-095	Sam Kwang Constr. Machinery	16	18	18.3				
B-097	Dong Sin Glass Tube	6	5	20.4				
B-101	Cho Bang Textile Printing	57	60	13.4				
B-103	Dae Jin Industrial	26	24	12.2				
B-106	Se-Il Company	20	22	8.9				
B-108	Yoo Nam Industrial	100	110	10.2				
B-111	New Bon Company	67	70	1.9				
B-113	Seo Hung Construction	2	2	35.0				
B-116	Song A Machine Tools Mfg.	14	15	12.0				
B-119	Sae Hwa Textile	25	23	16.3				
B-122	Han-Mi Mold & Tool Company	26	30	10.9				
B-124	Han Kuk Won Ho Printing	5	7	37.4				

**C. ECONOMIC INDICATORS OF SUBPROJECTS FINANCED UNDER LOAN 2004-KO**  
(continued)

Subproject Number	Borrower	Incremental Employment		Investment per Worker (W million)	Financial ROR		Economic ROR	
		Estimated	Actual		Estimated	Actual	Estimated	Actual
B-127	Sam Yang Business Form	4	3	51.7				
B-129	Poong Kook Enterprise	18	20	14.6				
B-132	Woo In Silk	106	112	8.3				
B-134	Samsung Printing	3	3	70.3				
B-137	Sokang Cold Storage	6	5	12.6				
B-139	Sin Dong Je Il	14	15	3.8				
B-143	Yeon-Hap Glass	12	10	23.5				
B-145	Korea Electronics	10	11	20.0				
B-149	New Korea Electronics	20	21	5.9				
B-155	Jung Hwa Printing	10	10	35.1				
B-160	Duk Chun Industrial	6	5	28.8				
B-164	Dae Sung Engineering	26	27	5.5				
B-170	Dong Shin Enterprise	4	4	23.8				
B-174	Nam Chang Textile	3	3	12.3				
B-179	Dong Sin Chemical	6	6	80.2				
B-183	Kuk Il Press	18	16	43.2				
B-187	Se-Ah Precision Industrial	5	5	17.0				
B-191	Sam Yang Construction	20	18	4.2				
B-196	First Corporation	13	15	15.9				
B-200	Han Kuk Trading	4	4	23.3				
B-204	Sam Won Industrial	10	8	25.1				
B-208	Sam Rak Industrial	64	70	7.3				
B-212	Sae Kwang Industrial	14	15	7.8				
B-216	Tae Il Woolen Textile	5	5	10.6				
B-224	Chung Woo Enterprise	-	-	-				
B-236	Anyang Paper Cone	31	30	21.5				

REPUBLIC OF KOREA

SMALL AND MEDIUM INDUSTRY BANK (LOAN 2004-K0)

5. SMIB's Financial Performance

PROJECT COMPLETION REPORT

A. Projected and Actual Audited Income Statements, 1981-87  
(in Won million)

	1981		1982		1983	
	<u>Projected</u>	<u>Audited</u>	<u>Projected</u>	<u>Audited</u>	<u>Projected</u>	<u>Audited</u>
<u>Income</u>						
Interest on loans	214,812	21,026	280,819	204,522	360,529	196,069
Interest on securities and deposits	19,802	36,020	24,087	34,308	29,661	28,763
Guarantee fees, commissions, etc.	13,436	7,813	16,885	8,910	19,909	8,602
<u>Total income</u>	<u>247,550</u>	<u>255,859</u>	<u>321,291</u>	<u>247,770</u>	<u>410,099</u>	<u>233,434</u>
<u>Expense</u>						
Financial expenses	171,992	178,524	221,182	184,705	283,898	157,801
Administrative and general expenses	47,982	50,529	60,185	69,130	75,940	84,638
Provision for doubtful accounts	7,000	3,889	7,000	2,691	7,000	-5,115
<u>Total expenses</u>	<u>226,974</u>	<u>232,942</u>	<u>288,367</u>	<u>256,526</u>	<u>366,838</u>	<u>247,324</u>
Income before tax	14,488	20,186	25,861	-13,742	34,143	-9,901
Income tax	1,663	2,631	3,801	78	5,119	-
<u>Net income</u>	<u>12,825</u>	<u>17,555</u>	<u>21,560</u>	<u>-13,820</u>	<u>29,024</u>	<u>-9,901</u>
<u>Appropriation</u>						
Dividends	4,924	6,027	7,712	-	10,500	-
Reserve and retained earnings	7,901	11,528	13,848	-13,820	18,524	-9,901

REPUBLIC OF KOREA  
SMALL AND MEDIUM INDUSTRY BANK (LOAN 2004-K0)

PROJECT COMPLETION REPORT

Projected and Actual Audited Income Statements, 1981-87  
(in Won million)

	1984		1985		1986		1987	
	<u>Projected</u>	<u>Audited</u>	<u>Projected</u>	<u>Audited</u>	<u>Projected</u>	<u>Audited</u>	<u>Projected</u>	<u>Audited</u>
<b><u>Income</u></b>								
Interest on loans	243,402	237,714	308,939	290,874	381,185	341,273	464,952	408,523
Interest on deposits, securities and others	21,767	28,093	22,186	37,938	28,257	42,669	35,163	45,059
Guarantee fees, commissions, etc.	15,579	13,280	21,381	17,005	26,174	23,907	31,855	43,216
<b><u>Total income</u></b>	<b><u>280,748</u></b>	<b><u>279,087</u></b>	<b><u>352,506</u></b>	<b><u>345,817</u></b>	<b><u>435,616</u></b>	<b><u>407,849</u></b>	<b><u>531,970</u></b>	<b><u>496,798</u></b>
<b><u>Expense</u></b>								
Financial expenses	176,623	173,156	195,940	214,967	242,189	273,588	293,517	338,751
Administrative and general expenses	86,641	88,765	125,466	97,289	134,181	102,798	162,323	116,089
Provision for doubtful accounts	1,188	1,264	1,960	13,580	2,147	12,522	2,567	14,245
Other expenses	16,268	9,089	18,729	12,816	22,907	16,623	27,862	15,385
<b><u>Total expenses</u></b>	<b><u>280,718</u></b>	<b><u>272,274</u></b>	<b><u>342,095</u></b>	<b><u>338,632</u></b>	<b><u>401,424</u></b>	<b><u>405,531</u></b>	<b><u>486,269</u></b>	<b><u>484,470</u></b>
Income before tax	30	6,813	10,411	7,185	34,192	2,318	45,701	12,328
Income tax	-	1,292	3,118	2,685	10,253	92	13,705	6,574
<b><u>Net income</u></b>	<b><u>30</u></b>	<b><u>5,521</u></b>	<b><u>7,293</u></b>	<b><u>4,500</u></b>	<b><u>23,939</u></b>	<b><u>2,226</u></b>	<b><u>31,996</u></b>	<b><u>5,754</u></b>
<b><u>Appropriation</u></b>								
Dividends	-	1	3,341	1	3,771	1	4,300	1
Reserve	30	5,520	3,952	2,495	20,168	788	27,696	1,187
Unappropriated	-	-	-	2,004	-	1,437	-	4,566
<b><u>Total</u></b>	<b><u>30</u></b>	<b><u>5,521</u></b>	<b><u>7,293</u></b>	<b><u>4,500</u></b>	<b><u>23,939</u></b>	<b><u>2,226</u></b>	<b><u>31,996</u></b>	<b><u>5,754</u></b>

REPUBLIC OF KOREA

SMALL AND MEDIUM INDUSTRY BANK (LOAN 2004-K0)

PROJECT COMPLETION REPORT

B. Projected and Actual Audited Balance Sheets, 1981-87  
(in Won million)

	<u>1981</u>		<u>1982</u>		<u>1983</u>	
	<u>Projected</u>	<u>Audited</u>	<u>Projected</u>	<u>Audited</u>	<u>Projected</u>	<u>Audited</u>
<b>Assets</b>						
<u>Current Assets</u>						
Cash and bank deposits	310,626	222,399	406,345	275,198	523,417	306,092
Investment in securities	110,952	166,616	136,094	140,545	168,126	160,825
Short-term working capital loans	706,098	782,122	931,135	1,298,755	1,216,771	1,461,073
Other current assets	30,244	32,342	37,638	36,381	46,346	109,735
<u>Total Current Assets</u>	<u>1,157,920</u>	<u>1,203,479</u>	<u>1,511,212</u>	<u>1,750,879</u>	<u>1,954,660</u>	<u>2,037,725</u>
<u>Term Portfolio</u>						
Working capital loans	203,595	276,072	262,708	40,671	323,152	79,937
Domestic currency equipment loans	255,280	247,231	334,351	312,041	421,450	485,395
Foreign currency loans	185,703	159,235	208,406	152,120	235,026	144,960
<u>Total Term Loans</u>	<u>644,578</u>	<u>682,538</u>	<u>805,465</u>	<u>504,832</u>	<u>979,628</u>	<u>710,292</u>
(Less: Provisions)	(7,000)	(10,200)	(7,000)	(12,514)	(7,000)	(4,274)
<u>Net Portfolio</u>	<u>637,578</u>	<u>672,338</u>	<u>798,465</u>	<u>492,318</u>	<u>972,628</u>	<u>706,018</u>
Property & Equipment (net)	27,471	22,085	37,145	37,217	46,268	48,001
Other Assets	34,510	58,411	39,788	120,827	45,099	148,885
<u>Total Assets</u>	<u>1,857,479</u>	<u>1,956,313</u>	<u>2,386,226</u>	<u>2,401,039</u>	<u>3,018,655</u>	<u>2,940,629</u>
<b>Liabilities</b>						
<u>Current Liabilities</u>						
Short-term deposits	730,383	678,557	901,000	1,146,256	1,144,440	1,375,447
SMI debentures	-	-	-	15,620	-	49,106
Borrowings from BOK	147,733	269,794	219,993	411,323	303,093	455,650
Dividend payable	4,924	8	7,712	7	10,500	7
Taxes payable	1,663	1,842	3,801	349	5,119	378
Due to correspondent banks	40,301	34,472	48,361	37,040	58,033	33,411
Accrued interest and others	181,980	168,809	227,202	127,424	285,555	1,898
<u>Total current liabilities</u>	<u>1,106,984</u>	<u>1,053,482</u>	<u>1,408,059</u>	<u>1,738,019</u>	<u>1,806,740</u>	<u>2,080,897</u>
<u>Long-term Liabilities</u>						
Savings deposits	313,020	209,374	424,000	195,968	538,560	245,967
SMI debentures	-	-	-	2,474	-	48,489
Borrowings from GOK	14,958	16,154	11,900	19,4	7,392	19,767
Borrowings from NIF	50,213	33,997	67,107	64,406	88,820	132,187
Borrowings from IRF	457	513	58	360	-	214
Borrowings from SMIPF	55,413	42,129	73,104	57,154	78,163	79,214
Borrowings from ERF	1,000	744	7,000	1,529	2,800	2,705
Other borrowings	-	-	-	3,650	-	8,511
Foreign currency borrowings	154,922	131,481	175,386	133,140	195,748	131,034
Allowance for retirements	28,500	26,783	35,804	32,866	43,108	39,737
<u>Total Long-term Liabilities</u>	<u>618,483</u>	<u>461,175</u>	<u>789,359</u>	<u>511,211</u>	<u>954,591</u>	<u>707,825</u>
<b>Equity</b>						
Paid-in share capital	107,060	107,060	150,000	137,060	200,000	147,060
Reserve and retained earnings	24,952	34,596	38,800	14,749	57,324	4,847
<u>Total Liabilities and Equity</u>	<u>1,857,479</u>	<u>1,956,313</u>	<u>2,386,226</u>	<u>2,401,039</u>	<u>3,018,655</u>	<u>2,940,629</u>
<u>Outstanding Guarantees</u>						
Short-term guarantees	22,739	32,216	27,267	65,611	32,744	113,272
Long-term guarantees	982	689	1,178	872	1,414	589
<u>Total Guarantees</u>	<u>23,721</u>	<u>32,885</u>	<u>28,445</u>	<u>66,483</u>	<u>34,158</u>	<u>113,861</u>

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SMALL AND MEDIUM INDUSTRY BANK (LOAN 2004-KO)

PROJECT COMPLETION REPORT

Projected and Actual Audited Balance Sheets, 1981-87  
(in Won million)

	1984		1985		1986		1987	
	Projected	Audited	Projected	Audited	Projected	Audited	Projected	Audited
<b>Assets</b>								
<b>Current Assets</b>								
Cash and bank deposits	336,744	376,275	402,992	356,154	343,363	689,810	343,129	722,023
Investment in securities	187,120	138,671	241,959	194,304	225,247	135,881	273,798	203,372
Short-term working capital loans	1,662,847	1,489,275	2,115,268	1,677,298	2,002,750	2,178,178	2,446,388	259,326
Other current assets	101,725	220,381	122,629	269,303	323,164	185,776	387,796	327,592
<b>Total Current Assets</b>	<b>2,228,436</b>	<b>2,224,602</b>	<b>2,682,848</b>	<b>2,499,059</b>	<b>2,694,524</b>	<b>3,199,645</b>	<b>3,451,109</b>	<b>3,632,313</b>
<b>Term Portfolio</b>								
Working capital loans	170,221	166,576	209,752	225,581	269,900	150,827	321,095	321,095
Domestic currency equipment loans	648,616	608,394	789,793	718,480	864,340	942,671	1,006,199	1,142,048
Foreign currency loans	167,438	144,934	170,343	157,024	155,624	160,513	144,985	171,687
<b>Total Term Loans</b>	<b>986,275</b>	<b>919,904</b>	<b>1,169,888</b>	<b>1,101,085</b>	<b>1,289,864</b>	<b>1,254,011</b>	<b>1,472,279</b>	<b>1,634,830</b>
(Less: Provisions)	(5,179)	(6,740)	(6,164)	(5,483)	(9,170)	(6,740)	(13,580)	(6,141)
<b>Net Portfolio</b>	<b>981,096</b>	<b>913,164</b>	<b>1,163,724</b>	<b>1,095,602</b>	<b>1,280,694</b>	<b>1,247,271</b>	<b>1,458,699</b>	<b>1,628,689</b>
<b>Property &amp; Equipment (net)</b>	<b>80,601</b>	<b>111,982</b>	<b>72,571</b>	<b>195,986</b>	<b>210,210</b>	<b>161,492</b>	<b>231,268</b>	<b>168,244</b>
<b>Other Assets</b>								
Long-term lease deposits	53,655	55,326	59,020	63,375	69,713	70,836	76,684	79,226
Property acquired through foreclosure	43,767	47,028	54,621	59,261	70,224	49,997	73,697	30,137
Receivable from sale of foreclosed properties and others	88,230	80,360	113,359	131,403	148,573	93,126	170,659	123,413
<b>Total Other Assets</b>	<b>185,652</b>	<b>182,714</b>	<b>227,000</b>	<b>254,039</b>	<b>288,510</b>	<b>213,961</b>	<b>321,240</b>	<b>232,776</b>
<b>Total Assets</b>	<b>3,515,785</b>	<b>3,431,464</b>	<b>4,345,691</b>	<b>4,004,676</b>	<b>4,674,038</b>	<b>4,621,369</b>	<b>5,462,318</b>	<b>5,662,022</b>
<b>Liabilities</b>								
<b>Current Liabilities</b>								
Short-term deposits	1,571,988	1,478,949	1,933,512	1,725,826	1,846,900	2,233,745	2,187,700	2,839,472
Borrowings from BOK	57,420	484,786	728,690	495,519	622,278	548,297	759,179	708,018
Borrowings from CMAF	-	3,600	-	14,701	22,201	21,00	24,771	27,000
SHI debentures	581,250	97,240	74,008	65,518	93,288	70,908	110,504	80,940
Dividends payable	7	7	3,348	7	7	8	3,848	1
Taxes payable	-	1,728	3,227	2,572	3,547	16	5,984	3,989
Due to correspondent banks	40,093	34,923	48,112	41,300	49,560	77,734	59,472	142,931
Accrued interest and others	223,221	269,536	287,974	295,003	331,779	373,487	391,562	536,683
<b>Total current liabilities</b>	<b>2,473,979</b>	<b>2,350,871</b>	<b>3,075,871</b>	<b>2,640,446</b>	<b>2,969,560</b>	<b>3,325,190</b>	<b>3,543,020</b>	<b>4,341,034</b>
<b>Long-term Liabilities</b>								
Savings deposits	299,426	342,590	368,268	443,656	592,600	464,132	690,900	667,468
SHI debentures	67,535	50,371	97,937	131,226	186,856	124,906	221,340	65,785
Borrowings from BOK	19,397	22,397	12,041	25,510	28,810	31,068	21,494	67,361
Borrowings from NIF	189,187	168,716	244,017	186,999	211,599	190,980	242,838	141,108
Borrowings from SHIPF	100,014	108,990	120,074	137,100	160,100	163,197	182,400	171,444
Borrowings from KDPCF	30,899	6,325	54,889	7,595	6,096	12,251	6,996	15,992
Borrowings from BRF	4,705	4,381	5,700	5,096	11,595	5,547	14,945	3,656
Borrowings from ECPF and others	11,262	14,001	12,672	19,514	32,514	32,135	40,831	17,515
Foreign currency borrowings	156,645	137,944	164,962	153,297	151,897	152,046	141,257	21,610
Allowance for retirement and others	-	-	-	52,659	60,091	60,395	68,141	69,492
<b>Total Long-term Liabilities</b>	<b>881,070</b>	<b>853,715</b>	<b>1,080,590</b>	<b>1,162,682</b>	<b>1,442,158</b>	<b>1,237,375</b>	<b>1,631,140</b>	<b>1,241,431</b>
<b>Equity</b>								
Paid-in share capital	157,060	157,060	177,060	167,060	182,060	182,060	202,060	197,060
Reserve and retained earnings	3,676	70,018	12,170	74,518	60,260	76,744	86,096	82,497
<b>Total Liabilities and Equity</b>	<b>3,515,785</b>	<b>3,431,464</b>	<b>4,345,691</b>	<b>4,044,676</b>	<b>4,674,038</b>	<b>4,621,369</b>	<b>5,462,318</b>	<b>5,662,022</b>
<b>Outstanding Guarantees</b>								
Short-term guarantees	135,926	158,146	163,112	195,820	235,018	242,594	282,021	303,406
Long-term guarantees	683	632	81978	815	944	1,178	1,133	2,673
<b>Total Guarantees</b>	<b>136,609</b>	<b>158,778</b>	<b>163,931</b>	<b>196,635</b>	<b>235,962</b>	<b>243,772</b>	<b>283,154</b>	<b>306,079</b>

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**PROJECT COMPLETION REPORT**

**C. Analysis of Loans in Arrears, 1981-87**  
**(In Won Million)**

	1981	1982	1983
<b>Number of Loans in Portfolio</b>			
Total Number of Loans in Portfolio	28,713	39,188	53,939
Number of Loans in Arrears under 6 months	868	1,129	1,184
as % of Total Loans	3.0	2.9	1.8
Number of Loans in Arrears over 6 months	225	410	364
as % of Total Loans	0.8	1.0	0.6
Number of Loans in Arrears	1,093	1,539	1,498
as % of Total Loans	3.8	3.9	2.4
<b>Principal Affected by Arrears</b>			
Total Principal Outstanding	1,485,860	1,803,597	2,171,365
Principal affected by arrears under 6 months	32,456	41,412	57,685
as % of total principal outstanding	2.2	2.3	2.7
Principal affected by arrears over 6 months	10,307	16,532	13,436
as % of total principal outstanding	0.7	0.9	0.6
Total principal affected by arrears	42,763	57,944	71,121
as % of total principal outstanding	2.9	3.2	3.3
<b>Actual Amounts in Arrears</b>			
Arrears under 6 months	31,379	39,220	53,158
as % of principal outstanding	2.1	2.2	2.5
Arrears over 6 months	8,717	13,892	16,234
as % of principal outstanding	0.6	0.8	0.7
Total arrears	40,096	53,102	69,392
as % of principal outstanding	2.7	3.0	3.2
<b>Collection Performance</b>			
Arrears at beginning of year			
Principal	21,965	34,445	45,618
Interest	3,929	5,651	7,484
Total	25,894	40,096	53,102
Amount falling due during year			
Principal	6,366,751	10,045,189	12,170,032
Interest	214,100	204,848	199,913
Total	6,580,851	10,250,035	12,369,945
Collections during year (cash only)			
Principal	6,354,271	10,034,016	12,156,569
Interest	212,378	203,013	197,086
Total	6,566,649	10,237,029	12,353,655
Arrears at end of year			
Principal	34,445	45,618	59,081
Interest	5,651	7,484	10,311
Total	40,096	53,102	69,392
Collection ratio	100.6	100.5	100.6

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**PROJECT COMPLETION REPORT**

**Analysis of Loans in Arrears, 1981-87**  
**(in Won Million)**

	1984	1985	1986	1987
<b>Number of Loans in Arrears</b>				
Total Number of Loans in Portfolio	50,848	56,244	53,032	54,159
Number of Loans in Arrears under 6 months	1,309	685	437	570
as % of Total Loans	2.6	1.3	0.8	1.1
Number of Loans in Arrears over 6 months	250	249	750	497
as % of Total Loans	0.6	0.5	1.4	0.9
Number of Loans in Arrears	1,629	934	1,187	1,067
as % of Total Loans	3.2	1.8	2.2	2.0
<b>Principal Affected by Arrears</b>				
Total Principal Outstanding	2,408,247	2,774,638	3,370,442	4,175,698
Principal affected by arrears under 6 months	66,705	65,005	38,049	45,048
as % of total principal outstanding	2.8	1.9	1.1	1.0
Principal affected by arrears over 6 months	4,134	9,4672	31,341	23,674
as % of total principal outstanding	0.2	0.3	0.9	0.6
Total principal affected by arrears	70,839	74,472	69,390	68,722
as % of total principal outstanding	3.0	2.2	2.0	1.6
<b>Actual Amounts in Arrears</b>				
Arrears under 6 months	58,110	56,098	32,742	43,287
as % of principal outstanding	2.4	1.6	1.0	1.0
Arrears over 6 months	6,108	12,260	27,843	25,348
as % of principal outstanding	0.3	0.4	0.8	0.6
Total arrears	64,218	67,358	60,585	68,615
as % of principal outstanding	2.7	2.0	1.8	1.6
<b>Collection Performance</b>				
Arrears at beginning of year				
Principal	59,081	56,029	54,730	48,912
Interest	10,311	8,189	12,626	11,673
Total	69,392	64,218	67,356	60,585
Amount falling due during year				
Principal	13,998,350	15,169,415	18,166,131	21,308,044
Interest	232,736	243,147	337,249	412,796
Total	14,229,086	15,412,562	18,493,380	21,720,840
Collections during year (cash only)				
Principal	13,999,402	15,170,714	18,161,949	21,299,988
Interest	234,858	238,710	338,202	412,822
Total	14,234,260	15,409,424	18,500,151	21,712,810
Arrears at end of year				
Principal	56,029	54,730	48,912	56,968
Interest	8,189	12,626	11,673	11,647
Total	64,218	67,356	60,585	68,615
Collection ratio	100.5	100.4	100.3	100.3



6. Status of Covenants

Section	Activity	Remarks
LA. 3.02	Provide due diligence in subproject supervision, comply with procurement procedures, subproject information	Satisfactory
LA. 4.02	Furnish of audited financial statements within five months after the end of each fiscal year	Satisfactory
LA. 4.06	Maintain Long-Term Debt to Equity Ratio of 10:1 or better	Satisfactory
LA. 4.08	Furnish information and exchange views on SMIB's administration, operations and financial conditions	Satisfactory

7. Staff Inputs

<u>Stage of Project Cycle</u>	<u>FY79</u>	<u>FY80</u>	<u>FY81</u>	<u>FY82</u>	<u>FY83</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>	<u>TOTAL</u>
Preparation	6.7	26.0	0.6	-	-	-	-	-	-	-	-	33.3
Appraisal	-	10.7	33.2	-	-	-	-	-	-	-	-	43.9
Negotiations	-	-	4.2	-	-	-	-	-	-	-	-	4.2
Lending Operation	0.1	1.4	15.5	-	-	-	-	-	-	-	-	17.0
Supervision	-	-	0.3	14.0	4.6	7.7	3.2	3.8	0.4	-	-	34.0
Completion	-	-	-	-	-	-	-	-	-	-	3.9	3.9
Administration	-	-	<u>0.2</u>	<u>0.5</u>	<u>0.3</u>	<u>0.1</u>	-	<u>0.3</u>	-	-	-	<u>1.4</u>
<b>TOTAL</b>	<b>6.8</b>	<b>38.1</b>	<b>54.0</b>	<b>14.5</b>	<b>4.9</b>	<b>7.8</b>	<b>3.2</b>	<b>4.1</b>	<b>0.4</b>	<b>0.0</b>	<b>3.9</b>	<b>137.7</b>

## 8. Missions

Stage of Project Cycle	Month/ Year	No. of Persons	Days in Field	Specialization Represented	Performance Rating	Types of Problems
Through Appraisal						
Appraisal through Board Approval						
Board Approval through Effectiveness	6/81	3	20	Development Banking Industrial Economist	Minor Problems	None
Supervision:						
Mission 1	2/82	1	7	Development Banking	Moderate Problems	Managerial
Mission 2	11/82	1	20	Industrial Economist	Moderate Problems	Managerial
Mission 3	12/83	1	5	Development Banking	Minor Problems	Managerial/Financial
Mission 4	3/84	1	10	Development Banking	Minor Problems	Financial
Mission 5	10/84	4	19	Development Banking Production Engineer	Minor Problems	Others